

Message Text

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PLEASE PASS COMMERCE

E.O. 11652: N/A

TAGS: BEXP, AU, UNIDO, IN

SUBJ: UNIDO INDIA SPONGE IRON PLANT

REF: A) STATE 230295

B) VIENNA 8341

1. MINATT MET WITH NEW DELHI UNIDO SENIOR INDUSTRIAL DEVELOPMENT FIELD ADVISOR, J.H. LASCELLES, AND ASSISTANT, GEORGE PATTERSON, OCTOBER 22 TO DISCUSS THE UNDP/UNIDO SPONGE IRON PLANT TO BE CONSTRUCTED AT KOTHAGUDEM, ANDHRA PRADESH (REFS A AND B). IN BRIEF, THE ONLY SPECIFIC PLANS THAT CURRENTLY EXIST INVOLVE THE ENGINEERING, DESIGN AND CONSTRUCTION OF A 100 TONS/DAY SOLID REDUCTANT DEMONSTRATION (PILOT) PLANT. THE UNIT IS TO BE FINANCED BY THE GOI (RUPEES 17.5 MILLION; DOLS2.3 MILLION EQUIVALENT) AND UNDP (DOLS 1.5 MILLION) FOR, AND ON THE BEHALF OF, THE STATE-LEVEL PUBLIC SECTOR ANDHRA PRADESH INDUSTRIAL DEVELOPMENT CORPORATION LIMITED. THE PROJECT WAS APPROVED ON APRIL 19, 1974, AND AT THAT TIME IT WAS THOUGHT THAT BIDDING FOR THE PILOT PLANT (ONLY) WOULD BE UNDERWAY BY YEAR-END. THERE HAVE BEEN PLANN-

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ING INPUT SLIPPAGES, HOWEVER, WITH MANY DETAILS YET TO BE

WORKED OUT.

2. LASCELLES IS OF THE VIEW THAT BIDDING MAY NOW BE DELAYED UNTIL "SOMETIME IN 1975", AND HE SPECIFICALLY NOTED THAT NEITHER THE UNDP NOR THE GOI ARE LOOKING BEYOND THE PILOT PLANT STAGE OF THE OVERALL PROJECT AT THIS TIME. HE SAID THAT REVISED UNDP AND GOI THINKING IS THAT, FOLLOWING COMPLETION OF CONSTRUCTION, THE PILOT PLANT MAY BE OPERATED ON A VARIETY OF RAW MATERIALS OVER POSSIBLY A FIVE-YEAR PERIOD (RATHER THAN A ONE-YEAR TIX SPAN USING ONE IRON ORE AND COAL SOURCE ONLY--AS ORIGINALLY ENVISAGED.) HE STRESSED, THEREFORE, THAT IT WOULD BE "INAPPROPRIATE" TO DISCUSS AT THIS TIME EITHER A POSSIBLE PRODUCTION PLANT COST (E.G., DOLS180.0 MILLION), OR A TOTAL ANNUAL CAPACITY (E.G., 1.0 MILLION TONS OF SPONGE IRON AND 2.0 MILLION TONS OF STEEL BILLETS) (REF B). ADDITONAL DETAILS ARE GIVEN BELOW IN RESPONSE TO QUESTIONS RAISED IN REF. A'S PARAS 1 (A THRU C) AND 2 (A THRU D).

3. REF A, PARA. 1 (A): THE ONLY FEASIBILITY STUDY COMPLETED THUS FAR HAS BEEN DONE BY THE INDIAN PRIVATE SECTOR CONSULTING FIRM, M.N. DASTUR AND CO., CALCUTTA. IT WAS A PRELIMINARY STUDY ONLY, AND REQUIRES REVISION. RECENTLY RECEIVED DATA FROM THE GOI-OWNED NATIONAL METALLURGICAL LABORATORY INDICATE THAT THE ORIGINAL PILOT PLANT FLOWSHEET CONCEPT MUST BE MODIFIED TO MEET HANDLING CHARACTERISTICS OF THE COAL AND IRON ORE TO BE USED (PRESUMABLY, EARLIER BASE DATA WERE EITHER INCOMPLETE OR MISLEADING). WE ARE AIR POUCHING TO NEA/INS THE ONLY MEANINGFUL DOCUMENT CURRENTLY AVAILABLE ON THIS PROJECT; THE UNDP'S PROJECT PAPER LTITLED "DEMONSTRATION PLANT FOR THE PRODUCTION OF SPONGE IRON" (NO.IND/71/621/C/01/37). PLEASE NOTE, HOWEVER, THAT INPUT DATES AND WORK PLAN TIME FRAMES USED IN THE PROJECT PAPER ARE SUBJECT TO REVISION BECAUSE OF DELAYS ENCOUNTERED THUS FAR.

4. REF A, PARA. 1(B): SEE PARA 2, ABOVE.

5. REF. A, PARA. 1(C): NOT APPLICABLE. SEE PARAS. 1 AND 2 ABOVE.

6. REF. A, PARA. 2(A): ACCORDING TO LASCELLES, TWO FIRMS ONLY HAVE EXPRESSED INTEREST IN THIS PROJECT TO DATE--LURGI AND KRUPP
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(ELKOM OF SWEDEN WAS ONCE CONSIDERED TO BE A POSSIBLE BIDDER, BUT RECENTLY DROPPED OUT). UNIDO WOULD WELCOME AMERICAN BIDDERS FOR THE PILOT PLANT AND WOULD PREFER COMPANIES WITH DESIGN, ENGINEERING AND CONSTRUCTION EXPERTISE. THE SELECTED CONTRACTOR WILL WORK WITH M,N. DASTUR AND COM, AND POSSIBLY WITH THE GOI-OWNED ENGINEERS INDIA LTD. TO SOME DEGREE.

7. REF. A, PARA. 2(B): LASCELLES SAID THAT THE ISSUANCE OF

GLOBAL TENDERS AND THE TIMING OF BIDS WILL BE WITHHELD UNTIL AFTER THE PILOT PLANT FLOWSHEET AND DESIGN SPECIFICATIONS HAVE BEEN RE-EVALUATED AND APPROVED BY A UN SPECIALIST--CURRENTLY (ALBEIT TENTATIVELY) SCHEDULED TO ARRIVE IN INDIA FOR A 4-5 MONTH TDY BEGINNING IN NOVEMBER. MEANWHILE, PROSPECTIVE BIDDERS MAY, IF THEY WISH, CONTACT THE CHIEF, PURCHASING AND CONTRACTING SERVICES, UNIDO, BOX 707, A-1011 VIENNA.

8. REF. A, PARA. 2(C): NOT AVAILABLE

9. REF. A, PARA. 2(D): LASCELLES STATED THAT WHILE UNDP/UNIDO DOES NOT BELIEVE THAT TRAVEL OF INDIANS TO THE US OR ELSEWHERE AT THIS TIME WOULD SERVE USEFUL PURPOSE TO THIS PROJECT, ANDHRA PRADESH INDUSTRIAL DEVELOPMENT CORPORATION (APIDC) OFFICIALS HAVE NONETHELESS EXPRESSED DESIRE TO DO SO. REPORTEDLY, UNDP NEW DELHI ASKED APIDC TO POSTPONE VISITS AT LEAST UNTIL THE UN SPONGE IRON SPECIALIST (PARA. 7, ABOVE) HAS HAD OPPORTUNITY TO TO SORT OUT EXISTING TECHNICAL PROBLEMS HERE. WE WILL ADVISE FURTHER IF APIDC DECIDES, ON ITS OWN, TO MAKE TRIP SOON.
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